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Corporate Social Responsibility and the Globalization of Business Systems: The Case of Sweden

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Abstract

The globalization movement in recent decades has meant a rapid growth of trade, financial transactions and cross-country ownership of economic assets. In this paper, it is examined how the globalization of national business systems has influenced how Corporate Social Responsibility (CSR) is framed. This is achieved through text analysis of CEO letters in major corporations in Sweden under a period of transformational change of the Swedish economy. The results show that the discourse about CSR has changed from a national and communitarian view of responsibility (a negotiated view of CSR) towards an international and individualistic view of responsibility (a self-regulating view of CSR). In the end of the paper it is concluded that this development deserves further scholarly attention.

Keywords: Corporate Social Responsibility, Globalization, National business systems, Corporate annual reports, Text analysis, Sweden
1. Introduction

In the last few years convincing evidence have been provided that Corporate Social Responsibility (CSR), as a field of practice, is heavily influenced by local contexts, particularly linked to different countries of the world (Chapple & Moon 2005; Habisch et al 2005). Important factors that influence CSR practices are political and social structures, the role of NGOs, the role of companies, societal expectations on leaders and historical traditions (Roome, 2005). This finding of the contextual nature of CSR is in accordance the research about economic organization, which demonstrates that the organization of economic affairs has strong roots in national culture and legal frameworks (cf. Chandler, 1977; Guillén, 1994; Byrkjeflot et al, 2001)). This means that economic organization differs in various countries, to the extent that it is meaningful to talk about distinctive national business systems (Whitley, 1992a/b, 1999). Within this research tradition, the national State is seen as providing a dominant arena consisting of a set of important institutions that shapes economic life in each country such as legal frameworks, ownership structures, governance practices, level of state activity, capital markets and labor relations.

However, it is not evident that the national State is the most powerful provider of regulation of economic affairs in every aspect. In fact, the rapid growth in international trade, financial transactions across borders and foreign share ownership seems to have accelerated the pace in which national business systems are becoming subjects to change into a more universally coherent manner (Whitley, 2005).

The aim of this paper is to describe changes in CSR reporting in a longitudinal study of the case of Sweden. The general research question that we will address is to what extent CSR reporting relates to contextual factors and if there is a tendency towards international standardization as suggested by Snider et al (2003). Specifically, we will discuss in what
ways CSR practices will be subject to change due to standardization processes related to
globalization. This is done with regards to two different kind of business systems:
individualistic or communitarian (Haake, 2002).

The scope of this paper is an investigation and analysis of CEO letters in annual reports
from leading Swedish corporations for the years 1981, 1991 and 2001, which is presented in
relation to the development of the national business system of Sweden. Sweden is a country
that has developed a distinctive business system, but a business system that has seen great
change during the examined period, which in most cases has made the Swedish business
system less idiosyncratic. These changes include membership in the European Union,
deregulation of capital markets, internationalization of companies and share ownership, and
new economic policies towards employment and state ownership. The paper will show that
these changes also have affected the way the companies address the issue of CSR towards a
more global outlook. In the final section of the paper, we discuss the potential impact of these
changes.

2. Corporate Social Responsibility in relation to national business systems

2.1 The globalization of Corporate Social Responsibility

Corporate Social Responsibility is a concept that has a long history both as a management
practice and as an academic inquiry. Building on a growing stream of literature from the
1950s and 1960s, CSR became a popular concept particularly in the 1970s (Carroll, 1999).
This first wave of CSR literature was relatively nationally oriented. Two examples of this are
1) Johnson (1971:50) who define a socially responsible firm as one who take into account the
interest of “employees, suppliers, dealer, local communities, and the nation”, and 2) The
Committee for Economic Development (1971) who wrote that “Business enterprises, in effect are being asked to contribute more to the quality of American life.” [our emphasis].

Despite (western) public concern in the 1970s about conducting business with countries under non-democratic regimes, discussions about CSR, or the at this time more popular term business ethics, where largely nationally oriented and included issues such as product safety, fair treatment of workers irrespective of gender or race and cases of close-downs and redundancies (Roome, 2005). Buhr & Grafström’s (2007) investigation of the reporting on CSR issues in Financial Times also show findings of a national orientation in early CSR-related articles. In a typical article from 1988, CSR was presented as a new idea where the British business community was encouraged to take part in city development by charity donations and the integration of immigrants through job creation programs. This and other articles normally suggested imitation of good examples of CSR stemming from USA.

However, Buhr & Grafström (2007:22) also show that CSR was given a new meaning in Financial Times from 1999 and onwards when CSR was related to discussions about globalization and the role of capitalism in a global world. In this discussion, which become a central topic in the following years, Financial Times had an important role in disseminating a new meaning of CSR. The interest in finding cures for the downsides of free trade, in which CSR was seen as a solution, was also spurred by the protests associated with the WTO meeting in Seattle in 1999 and an United Nation initiative, the ethical code of conduct named Global Compact, the same year. Code of conducts are central in the new orientation of CSR and such codes are both general, such as the UN Global Compact, the ILO’s principles concerning Multinational Enterprises and Social Policy, OECD Guidelines for Multinational Enterprises, the EU guidelines for Corporate Social Responsibility, and company-specific – for instance Nike and H&M – (Kolk & van Tulder, 2002).
The new framing of CSR is much more general, normative and globally applicable compared to the previous conceptualizations. In the new framing, little emphasis is given towards social, cultural, and political diversity. As Chapple & Moon (2005) shows, there seem to be a positive association between globalization and CSR and as Sahlin-Andersson (2006) points out, CSR has emerged as global trend that involves many different actors. Authors den Hond et al (2007) go one step further and claim that CSR can be seen as a tool for the advancement of economic globalization.

However, other research concerning CSR, points out the difficulties of finding one superior approach to CSR since local conditions and expectations varies greatly (cf. Habish et al, 2005). In this paper we assume that CSR, at least before 1999, mainly was constructed within national frames-of-references, but that harmonization of beliefs and practices of CSR is likely to take place due to globalization and the popularity of the new and general framing of CSR.

2.2 National business systems and globalization

There are many studies that compare how capitalism is organized and has been organized in different countries (Byrkjeflot et al, 2001; Kogut, 1993; Lamberg & Laurila, 2005; Lane, 1995; Nelson, 1993; Sorge, 1991; Streek, 1992). In this paper we make use of the literature about national business systems (Morgan et al 2005; Whitley, 1992a/b, 1999), and particularly Haake’s (2002) distinction between individualistic and communitarian business systems. This distinction originates from Lodge & Vogel (1987), but in contrast to Lodge & Vogel where communitarian business systems are seen as superior to individualistic business systems, Haake sees them as “two equally valid answers to the dilemma of having to reconcile individual and communal interests” (2002:714).
Haake (2002:720) defines individualistic business system as systems “in which actors safeguard their individual autonomy through loose interfaces” and communitarian business systems as systems “in which actors share tight interfaces that turn these parties into interconnected communities.” Typical of individualistic business systems is that the relation between employees, firms and sector associations is more temporal and that such actors strive for self-reliance. Relations between actors thus tend to be on “arm’s length”. Communitarian business systems on the other hand are based on tight and stable relations between actors, who are much more interdependent on each other. The tight relations and dependencies normally produce trust among actors, since they become socially obliged to behave responsibly.

On the scale individualism – communitarianism, USA scored the highest on individualism followed by UK, while Germany and Japan of tradition are communitarian economies (ibid:727ff). In short the main differences between the two ideal types of business systems are:

<table>
<thead>
<tr>
<th>Individualistic business systems</th>
<th>Communitarian business systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employment</td>
<td>Life-time employment</td>
</tr>
<tr>
<td>Non-cooperative labor relations</td>
<td>Union-management cooperation</td>
</tr>
<tr>
<td>Market-based financial system</td>
<td>Close ties with banks</td>
</tr>
<tr>
<td>Arm’s length relation to the State</td>
<td>State support for industries</td>
</tr>
<tr>
<td>Arm’s length relations between firms</td>
<td>Close relations to suppliers and within industrial associations</td>
</tr>
</tbody>
</table>


Despite economic globalization, national states continue to be the dominating regulators of economic level due to their power of jurisdiction and tax collection (Whitley, 2005). Also transnational legal frameworks continue to be dependent on ratification from national states.
However, an ongoing internationalization and liberalization of commerce since the 1960s has increasingly challenged the strength of national institutions (cf. Djelic & Quack, 2003). The ongoing economic integration of Europe makes it reasonable to ask whether one should talk about possible characteristics of the “European Union business system” instead. It is not evident that the future development of corporate governance has to be determined by the historical development. For instance, the recent economic development of France, Germany and Finland represents in many ways a break with the traditions of the role of the State and commercial banks (Djelic & Quack, 2005; Hancke & Gover, 2005; Moen & Lilja, 2005). Such discontinuity can be explained by the impact of institutional influence from an international arena and by strategic adaptation of political policy makers and business leaders in national and international companies.

The globalization of business systems is expected to have the strongest impact on communitarian business systems, since they build upon close relations with actors who often share the same values and cultural norms. The ongoing globalization is likely to produce more individualistic, arm’s length business systems based on opportunistic relations (Whitley, 2005:217). Such changes will according to Whitley (ibid.) be greater in communitarian business systems and will give larger freedom for many economic actors in relation to the State, the unions, and industrial organizations. The development of the Swedish business system described later in this paper supports this view.

2.3. Corporate Social Responsibility and National business systems

If the theories of differences between individualistic and communitarian business systems hold true, we can predict a great difference in how corporate responsibility is framed in these two kinds of business systems. The dominating stream of CSR research and business practices firmly adhere to a self-regulation philosophy (den Hond et al, 2007). In an
individualistic business system corporate responsibility is something that individual companies – within legal frameworks – have discretion to define by its own, but there can be strong normative pressures from consumers and interest groups that companies may feel forced to comply with. In principle, though, CSR should be achieved by companies’ own actions and concern about their reputation, and it is therefore seen in the best interest of a company to behave responsibly. This can be contrasted to communitarian business systems where social responsibility to a much larger extent is subject to negotiations between interdependent companies, authorities, unions and other stakeholders. The outcome of such negotiations can be expected to lead to greater diversity as actors can find solutions in better harmony with local conditions compared to individualistic business systems where normative and societal pressures could lead to the institutionalization of a what is considered in general as "best practice".

It is hardly a coincidence that the dominating representations of CSR rely so heavily in self-regulation since these representations has emerged from an US/Anglo-Saxon individualistic business systems. The standard procedure when a company adopts CSR into its business practices is typically related to the formulation of a CSR mission and a code of conduct, followed by the definition of measures to implement and to audit the adherence of the code, and, if needed, to make efforts to correct any violations of the code. The relative awareness of CSR and the familiarity to adopt to a self-regulation policy may explain why American companies often act as pioneers within their industry by formulating and implementing code of conducts (van Tulder & Kolk, 2001).

Matten & Moon (2005) which also make use of a business system perspective for classifying different approaches to CSR makes the distinction between implicit and explicit CSR. Implicit CSR refers to institutional frameworks within a country that regulates the responsibilities of corporations in a way that the corporations do not need to act as a
responsible agent except following laws and governmental directives. Explicit CSR is seen as more pro-active behaviour in an institutional setting which provides more freedom for economic actors. Implicit CSR can thus be related to communitarian business systems and explicit CSR to individualistic business system. Since we will show that CSR was rather explicit also in the Swedish case when there was a strong communitarian orientation, we would like to use the distinction between individualistic and communitarian CSR in accordance to the model presented by Haake (2002) earlier in this paper. We also suggest a second dimension for categorizing CSR namely national versus international/global outlook.

- Individualistic CSR: CSR based on self-regulation were companies act responsibly in order to create good relations with important stakeholders and to uphold a good reputation
- Communitarian CSR: CSR based on close interaction between stakeholders where the State has a strong regulating function.
- National CSR: When corporate responsibility is defined and monitored in a national and domestic environment.
- Global CSR: When corporate responsibility is defined and monitored by stakeholders from different countries in a multinational outlook.

3. Methodology

3.1. Methods for studying financial reporting

The Corporate Annual Report (CAR) has become a subject of research in several disciplines over the last decades. Stanton & Stanton (2002:478) distinguish between two basic views on the CAR research. Firstly, the CAR can be seen as a formal public document and as a response to compulsory legislation on financial reporting of a company. A second and
broader view is to see the CAR as a mean to convey the image of a company or an organization and as a part of the constructing of "visibility and meaning" (Hopwood, 1996). Major perspectives in these research efforts are image management, marketing, organizational legitimacy and accountability, which may include analysis of language, of photographs or graphical elements as well as of situational and organizational settings and contexts.

We share the view of the CAR as a much more multifaceted phenomenon than as just a response to legislation. We can also relate our study to Abbott & Monsens' (1979) study of social involvement patterns in CARs of American companies as well as the study by Halme & Huse (1997). The latter study focuses on environmental disclosures in companies where the CAR is one important resource. By the use of statistical methods, Halme & Huse are able to show that companies within industries known for pollution were more likely to present detailed environmental reporting in CARs and similar resources. Thus, the CAR is an important channel for communicating social responsibility in different ways over a longer period.

3.2. Data selection and methods chosen

The data in our study consists of CEO letters of 15 Swedish listed companies for the years 1981, 1991 and 2001. The main criterion for selecting companies is their listing at the Stockholm exchange throughout the entire period. We also included the largest of the listed companies measured by numbers of employees and/or by capital assets, as such companies receive large media attention and are more scrutinized by the general public than smaller companies (Adams et al, 1998). Most of the selected firms are highly visible. A well-known company can be expected to adhere to external expectations to a larger extent than very small companies on the stock exchange. Given their size, these companies also can be expected to be able address issues of CSR in their business plans. The selected companies are based in
different industries, as shown in Appendix 1, together with the length of their CEO letters in number of words.

The methodological approach is chosen from the field of language studies where the focus lays on the content of the CEO letter and how texts are used to convey different aspects of meaning over the years. A main reason for investigating CEO letters is that these are important for communicating strategy and visions of a company (Hyland, 1998; Judds & Tims 1991; Kohut & Segars 1992). It is also clear that the CEO letter has importance for the increasing disclosure of CSR-matters in the annual reports by the genre's function of communicating strategy (see de Bakker et al, 2007).

A methodological reason for studying the CEO letter is its role as a stable subgenre within the more changing genre of CARs (see Swales (1994) for a discussion on genres). Research on CARs in Anglo-Saxon countries shows that annual reports expand from the late 1960s to the 1990s in terms of narrative elements, pictures and photos and in number of pages (Lee, 1994). The data for this study shows that the CARs of the selected 15 companies have expanded and become more elaborated from 1981 to 2001. The Swedish letter of the CEO remains, however, relatively stable in terms of composition and purpose, which makes it well suited for studies of changes in content pattern.

3.2. Quantitative and qualitative text analysis

The study has been carried out in two interrelated steps, combining quantitative and qualitative methods from the field of language studies. As the first step, we have collected all texts into a text corpus\(^1\) – a searchable and organized text database – which has been used for sorting and organizing words and measuring word frequencies in the CEO letters. The second

\(^1\) Corpus methods have had large impact in studies of internal language relations but linguistic corpus analysis can also be combined with cultural and social studies (cf. Stubbs 1996; 2002).
step has been a closer reading of the context and meaning of single words that relate to the companies' societal roles and CSR-issues (cf. Piper 2000). This allows us to make focused searches on specific words or phrases. Such focused searches are usually called concordances where a selected word is centred in the concordance, which gives a useful overview of the contextual functions and specific use of a word (Stubbs, 2002:61). A corpus also allows for complete listings of all words in a text or a group of texts, either in order of word frequency or in alphabetical order. The procedure of combining these two methods has followed a standardized protocol, which also was put to test in the expansion of an original Swedish study (Tengblad & Ohlsson, 2004) with similar kind of CAR texts from the Netherlands and Canada (see de Bakker et al, 2007).

The corpus of selected CEO letters also allowed us to search for content words of different kinds, i.e. nouns, proper names, verbs and compound words, in order to pattern semantic fields in the texts. A semantic field can be described as a general category of meaning for a group of words, an example is that pig, chicken and cow all belong to the semantic field "farm animals" as well as to the larger field "animals" (see Lyons, 1995). The patterning of semantic fields of words in the CEO letters followed both data from frequency lists as well as from intuitively chosen words from different societal fields, including national politics, CSR and stakeholders. The closer reading and scrutinization of the quantitative findings helped us initially to sort out redundancies and misleading use.

4. The framing of Corporate Social Responsibility in Swedish CEO letters

4.1 Sweden as a communitarian business system, but changing

The business system of Sweden is similar to Germany in origin. Before WWII many industries in Sweden were organized in cartels and industrial associations and the State had an
active role in the industrialization. After WWII there was a gradual breakup of cartels, intensified union-management cooperation, and a continuation of close ties with banks and corporations. Typical of the Swedish business system was also a relatively dense business community concentrated to central Stockholm, where the most head offices of banks, governmental authorities, interest organizations and corporations lay within short walking distance (Carlson, 1951; Tengblad, 2003). The majority of Corporate Board members before the advent of the shareholder value era in the mid 1990s were senior industrialists, often with many different and interlocking assignments, where “everyone knew everybody”. The communitarian aspect of the Swedish business system can also be underscored by the fact that hostile takeovers did not take place before the 1980s.

Power over industrial matters were often subject to negotiations between State officials, representatives for the small number of leading commercial banks and a few major capital owners, of which the Wallenberg family played a very important role (Henrekson & Jakobsson, 2005). The importance of foreign ownership of shares and subsidiaries where almost negligible before the 1990ties.

Our longitudinal analysis of CEO letter content shows a change in how responsibility is constructed in annual reports from 1981 to 2001. In Table 1 below, we present the searched words that are related to corporate responsibility, grouped in eight larger semantic fields, each representing related issues. As an example, the field named "Governmental institutions and authorities" represents references to the State, the government, the parliament and the National Bank of Sweden. Further, the field called "Employment and union issues" concerns references to bargaining, defined union matters and issues of national employment or unemployment. A third area is the field "Environmental issues" where we include all aspects
on references to corporate responses on external environmental damage.² We have also searched for related terms as "omissions", "pollution" and similar but find no references to concrete or direct effects on environmental. The references made are in general referring to "environment", either on its own or in compound words.

Table 1. Semantic fields on societal issues in 15 CEO letters 1981, 1991 and 2001

<table>
<thead>
<tr>
<th>Semantic field</th>
<th>Hits in each field per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental institutions and authorities</td>
<td>14</td>
</tr>
<tr>
<td>Politics and politicians</td>
<td>5</td>
</tr>
<tr>
<td>Employment and union issues</td>
<td>9</td>
</tr>
<tr>
<td>Export/import and inflation</td>
<td>27</td>
</tr>
<tr>
<td>CSR as a defined or named phenomenon</td>
<td>7</td>
</tr>
<tr>
<td>Environmental issues</td>
<td>0</td>
</tr>
<tr>
<td>Ethics and moral values</td>
<td>0</td>
</tr>
<tr>
<td>Sustainability</td>
<td>0</td>
</tr>
</tbody>
</table>

A strong trend in the table of semantic fields is the decline of references to issues on politics, Swedish and international, as well as to issues that are related to a communitarian business system model. The Swedish export situation together with concerns for the inflation stands out as fields that have disappeared from the CEO letters of these corporations. The same can be noted for references to Swedish national institutions. Instead, references have increased in other fields of societal relations for the corporations, including the environment,

² We have omitted discussions on "work environment" here. Issues of "work environment" are few and all related to non-Swedish work places in the CEO letters of 2001.
ethics and the issue of sustainability. Our following qualitative analysis will also emphasize the development from a negotiated to a self-regulated model of CSR.

4.2. Tensions in the communitarian model of negotiated corporate responsibility (1981)

In the 1960s and 1970s the political ambitions of the Swedish government trying to accommodate economic growth, industrial development, full employment, work-life-democracy, and high wages through financial, industrial and fiscal policy were high. This led in turn to a rapid growth in public expenditures and to sharpened regulations over credits, investments and financial transactions. The two oil-crises and the economic recession in the 1970s made this political orientation difficult to maintain. In 1981 the economic situation was almost disastrous due to very high deficits in the state budget (corresponding to almost 14 % of the gross national product), a chronic inflation level (13 %) and a shrinking industrial output.

At this period of time capital were only to a very limited level allocated through the stock market, as the share prices had plunged so low that new emissions were almost impossible to make. The leading Swedish corporations, with a few exceptions, were heavily dependent on the national political development. Many industrial sectors were also receiving financial support from the State in order to avoid bankruptcies and shutdowns.

The corporate responsibilities of the 1970s and early 1980s were defined as to provide employment, export revenues, tax incomes, good working conditions and work-life democracy. An example of corporate responsibility of 1970s, was the governmental doctrine, which stated that corporations that closed factories and laid off people also should provide replacement jobs if local employment opportunities for laid off workers where weak. It is of interest here to point out that this doctrine was limited to jobs in Sweden.
The heavily institutionalized corporate responsibility, to which Matten & Moon (2005) refer to as “implicit CSR”, did not mean that corporate actors did not participate in the public debate about CSR. But instead of publishing codes-of-ethics, prominent business leaders were active in the public debate about the advantages of a free market economy populated by responsible and effective enterprises. We have found four books written by active CEOs from the sampled companies with titles as “I Believe in Sweden”, “The Banks and the Society” and “Power and Responsibility”, which all were published in the mid-1970s. In many ways these books contains elaborate discussions about CSR in which the business leaders write about the concern about resource exploitation, environmental damages, and stakeholder interaction.

The close relation between corporations and the nation is shown in the following excerpt from the CEO letter in the annual report of Volvo, from 1981, where the charismatic CEO Pehr G. Gyllenhammar creatively points out the Swedish society’s dependency on Volvo, (the largest private employer of Sweden in that time):

Volvo has, due to its size, a responsibility for a large part of the Swedish economy. Volvo accounted for more than 7 per cent of the total investments in Swedish industry in 1981. Of Volvo's investments more than half were made in Sweden. (Volvo 1981)

This is also an example of outspoken corporate responsibility, which stands out as exceptional in the sample of 1981 CEO letters. The sample of CEO letters for 1981 does not contain other examples, which portray the companies as independent actors willing to take full responsibility for their actions. Rather, the letters confirms the picture of a communitarian

3 The CEOs that wrote books related to CSR were Volvo’s Pehr G Gyllenhammar (1973), ASEA’s Curt Nicolin (1973), SE-Banken’s Lars-Erik Thunholm (1973) and Handelsbanken’s Jan Wallander (1974).
business system, where the corporation is a part of a larger system of dependencies and that corporate responsibility is something that is negotiated within a group of stakeholders. One example is that the implementation of new technology is seen as dependent upon union approval:

We have taken the electronics in our service. To fully benefit from its advantages, continued structural changes becomes necessary in all fields of activity, e.g. on the work floors, in the offices as well as in our worldwide management. It is with satisfaction I note that the Union organizations realize the value of this development. New technology, especially computerization, will bring continued strength to the company. (Atlas Copco 1981)

The CEO letter from Atlas Copco is also interesting because it conveys a political message, which leads to a possible interpretation that the CEO letter as such becomes a means of negotiation and building support for a different political course. In the letter the CEO of Atlas Copco criticized the industrial climate in Sweden at the time:

The benefit for Sweden of continued growth of export, international industrial collaboration and technical development based on the free market conditions cannot be overestimated. But instead of simplifying and improving ways of working and conditions for a free and flexible business climate, complicated bureaucratic hindrances and restrictions are imposed. The centrally controlled union wage earner's funds now debated, would in the long run be catastrophic for the business life of Sweden. (Atlas Copco 1981)
Another example of the CEO letter as a scene for political negotiation is the significance and importance of the Swedish finance regulations that are put under debate by the CEO of the second largest commercial bank in Sweden, Handelsbanken:

The applied credit restrictions have led to a major expansion of other creditors, governmental institutions and grey market companies. The role of banks as creditors to the industry has as an effect of this decreased in importance. Regardless the fact that government authorities, mainly the National Bank of Sweden, has paid attention to this development and realized it as a serious disadvantage from a societal point-of view, no change of current politics seems to be at hand. (Handelsbanken 1981)

The changes that are asked for in this excerpt emphasize the intimate relation between corporations and political institutions and comments in this style are unseen in the later sample of CEO letters from 1991 and 2001. It is clear how important the national setting is for the CEO in the year of 1981 and that corporate responsibility to a large extent in the end is defined by the State after negotiations with different stakeholders.


The 1980s contained a number of important changes in the Swedish business system. A new Social Democratic government introduced in 1982 a new policy aiming to combine full employment and low inflation. This tricky equation was to be solved by prudent governmental spending and responsible wage negotiations. The Swedish currency was immediately devaluated in order to increase competitiveness and to revitalize investments, production and the export. This policy was successful during the first half of the decade and
rapidly growing corporate profits created a boom in the stock market. The boom created opportunities for a new cadre of financial analysts and business journalists, of which some began to question the established order of corporate governance run by the small elite of industrialists. For instance, the Wallenberg family was able to control the half of the 15 largest Swedish companies (Henrekson & Jakobsson, 2005).

The economic development of Sweden was less successful in the second half of the 1980s; labor shortages spurred wage inflation and a deregulation of the credit and currency markets provided a hotbed for a credit bubble. The bubble began to burst in 1990 and led to so severe economic losses that most of the commercial banks had to be bailed out by the State. The wage inflation in the second half of the 1980s led to the new problems of low competitiveness and trade deficits. The international recession in the wake of the Kuwait invasion made the situation worse at the time when the CEOs formulated their letters in the annual reports for 1991.

On the whole the Swedish business system largely continued to function during the 1980s in the same manners as in earlier periods. But the functioning of the system was challenged by the revitalization of the stock market, which provided an alternative to the close ties between banks and corporations, and also by the deregulation of the credit and currency markets, which decreased the State’s orchestrating capabilities.

A third factor that substantially weakened the communitarian aspects of the Swedish business system during the 1980s was the further internationalization of Swedish companies, often through acquisition of foreign competitors. By 1991 the Swedish corporate sector where among the most internationalized in the world together with those of Switzerland and the Netherlands with regards to the low importance of the home-market.

The Swedish business system was also affected by the large political events in Europe: The collapse of the Eastern bloc, the reunification of Germany and the preparation of the
common European market. The changes in the European map are a popular topic in the letters for 1991 where almost all of the CEOs comment on the possibilities for new markets. The CEOs also continue to use the letters as a means of political argumentation, this time linked to a campaign aimed to convince the general public that Sweden should join the European union. One example out of several is:

We anticipate a strong development for the countries in the European Community in the end of the 1990s and the changed attitude towards a Swedish membership in the EC is in this light pleasuring. Membership in the EC will open a widened market for larger construction corporations and also possibilities to more advantageous purchases of material. (Skanska 1991)

The CEO letters of 1991 contains descriptions on how the companies are looking forward to the changed business scene of Sweden but that CEOs still are seeing Sweden as the main setting even if that is becoming less predominant than in 1981:

Currently, Swedish productivity is again increasing faster than cost of wages. Sweden’s closer ties to Europe, lower level of inflation, an improved tax system and lower levels of sick-leave all contribute to create better conditions for industrial enterprises and to restore our competitiveness. (Volvo 1991)

Environmental issues become a hot politic topic in the national elections in 1988 when the Green party entered the Swedish parliament for the first time. The growing environmental movement of the time is also reflected in the CEO letters, often in relation to international agreements on restrictions of harmful production processes or omissions of substances. These
matters are discussed at some length in the CEO letter of the pulp and paper manufacturer SCA for example:

Today, it is mainly the fast process of change among our customers that guides our product development and environmental work. An environmentally conscious Europe will reward those companies that have adjusted to the development in time. SCA has worked focused for a long time with environmental issues. The technology we use has a minimum effect on the environment. SCAs products must also comply with all demands of environmental concern where aspects of recycling are becoming increasingly important. (SCA 1991)

It is notable that the issue of environment concern in the letters is more related to the demands of the European market and larger European community than to the Swedish business system.

To conclude, the analyzed letters reflect in overall the fact that the Swedish business system had entered a phase of transition, symbolized by the creation of a common European market. The capabilities and the ambitions from the State to coordinate the Swedish economy as a coherent faded over the period. However, the way the CEOs wrote their letters was similar to that of 1981. In 2001 a different picture will emerge.

4.4. A transformed business system and a new framing of CSR (2001)

Several important changes took place in the Swedish business system during the 1990s. The fixed currency rate was abandoned in 1992 and the inflation was kept on a low level during the entire decade on the expense of the previous policy of maintaining full employment. Sweden also applied for membership in the European Community, later
becoming the European Union. As a part of the conditions for entry, which took place in 1994, restrictions of foreign ownership on Swedish shares were lifted. This made it possible for foreign investors to increase their holdings in Swedish stocks, and the share of foreign ownership at the Stockholm Exchange almost exploded from 7 percent in 1989 to 43 percent in 1999 (Henrekson & Jakobsson, 2003).

Many new cross-border mergers took place in 1990s, including Astra-Zeneca, Stora-Enso, Ford's acquisition of Volvo Cars, and the creation of the largest commercial bank in the Nordic countries, Nordea. The share of employees working in Sweden continued to decline and therefore the corporations’ dependency of the political and economic development of Sweden did subsequently decrease. But perhaps the most important event related to the internationalization of the Swedish business system was the failed merger between Volvo and Renault. Institutional shareholders blocked the merger in 1994 and the long-lasting CEO Pehr G. Gyllenhammar consequently resigned. Gyllenhammar was the leading proponent of what was referred to in Sweden as “Executive capitalism” (Direktörskapitalism), a philosophy implying that important decisions should be made by senior industrialists on basis what considered being the best in the long run for the corporation as a legal entity. In absence of a dominating shareholder, as in the Volvo case, this philosophy gave the shareholders little influence over strategic decisions.

That a group of institutional investors, belonging to different power groups and acting together for the first time, were able to block the biggest merger proposal so far in the Nordic countries became the breakthrough of the Anglo-Saxon philosophy of shareholder value in Sweden. This philosophy received a strong reception in Sweden during the second half of the 1990s (Carlsson, 2001; Henrekson and Jakobsson, 2003). This also meant that the close bonds between corporations and banks as providers of long-term credit were weakened in favor of the arm’s length relations of capital markets. One aspect of the reception of the shareholder
value philosophy was the launch of executive compensation programs based on stock options in almost every large Swedish corporation in the second half of 1990s, replacing a tradition of fixed compensation only. The new stock market oriented practices of corporate governance created an impatient business climate (Tengblad, 2004), where CEOs were trying meet investors expectations every quarter, and dismissals of ‘underperforming’ CEOs become common.

The booming financial market and the new institutional climate also supported the expansion of business ventures related to the new economy, which had a strong boom (and bust) in Sweden in the years around 2000 (Dobers, 2002; Holmberg and Strannegård, 2005). Another sign of the implementation of a new institutional pattern in the Swedish business system was deregulation in the transportation and utilities sectors. The important state-owned business sector was partly privatized in the 1990s and the remaining sector became increasingly profit-driven. The Swedish State today act similar to other private shareholders in many ways and for instance demand the postal and railroad services to achieve a good return on capital. Sweden has according to recent reports by OECD become a country of high financial stability both in the public and private sector, with stable trade surpluses, low inflation and high growth. This was very far from the situation in 1981 both in regards to economic performance and to the organization of the Swedish business system.

Another important event around the year 2000 was that the global CSR-discourse started to receive much attention in Sweden, and many feature articles about business ethics and CSR were written in both daily and business press. Also senior industrialists become involved in CSR related activities such as the former CEOs for Ericsson (Björn Svedberg) and ABB (Göran Lindahl). The larger attention to CSR-related issues can also be illustrated by the fact that at about the same time the CEO letters for 2001 were written, the Government launched a national CSR initiative called the Swedish Partnership for Global Responsibility,
and invited Swedish corporations to become members. But this initiative was not successful, three years later only 15 companies, mostly within consumer products, retailing and State-owned companies had become members (Tengblad & Ohlsson, 2004). Only one of the leading corporations in our study was a member (H&M). In the new Swedish business system, the State has no longer a very important role to play, especially not regarding voluntary action related to global CSR.

The 2001 sample of CEO letters show an almost total absence of national and political issues. The dominating theme is instead oriented towards the global market and is also related to a more independent ability to assume moral and social responsibility as the following example illustrates:

SEB will face new and important challenges ahead. Right now we are living through times of extremely deep-going and thorough change. Business life is continually exposed to fundamental change as a result of the deregulation and globalization that have characterized the last ten years. One example of this can be seen in the increasing pressure on companies to assume a more comprehensive social responsibility. As far as SEB is concerned it is a matter of creating shareholder value by weighing in a balanced social responsibility in our decisions, among other things. (SEB 2001)

The defined strategies of CSR is seen together with increasing shareholder-value by the CEO of large Swedish bank SEB in 2001 and it is not clear if social responsibilities are entirely benign, which is indicated by the use of "pressure". Other Swedish companies address matters of social responsibility more outspoken and in a positive way, as of this excerpt from manufacturing company Trelleborg:
In a fast-growing industrial group like Trelleborg, with both cultural differences and different values, a company's common values assume special importance. We want to create and preserve a durable business concept that is based on our core values. We associate ourselves with the concept of sustainable growth. We are working with these issues on a continuing basis, and during the year we also formulated a Code of Conduct, with certain rules showing how we can ensure sustainable growth with our various stakeholders. (Trelleborg 2001)

The explicit references to environment issues in the CEO letters of 1991 are mainly replaced by CSR buzzwords such as sustainability, ethics and shared values in the 2001 sample. The global orientation in the letters stands out in contrast to the almost total absence of references to Swedish conditions, together with the foregrounding of CSR-issues as we know them from literature and trends of recent years. The CEOs in 2001 act with higher self-reliance than their predecessors in 1981 and 1991, fully confident that their companies can create their own destiny and to be able to act in a mature and a morally responsible way.

5. Discussion and conclusions

This paper shows that the internationalization of the Swedish business system is interrelated with a change in how CSR is framed in the annual reports. The emergence of a global discourse about CSR in the second half of the 1990s seemed to have filled a function to help corporations to formulate themselves as good citizens in a globalized world. But this rise has occurred simultaneously with a decrease in a discourse commenting about the economic, social and political development in the corporations’ home country. This pattern has also been
found in replicating studies of CEO letters for leading corporations in Canada and the Netherlands (de Bakker, et al, 2007).

As globalized business systems, according to Whitley (2005) are likely to facilitate more arm-lengths relations between opportunistnic and individualistic actors (as opposed to cultural specific behavior), the rise of the global and USA-inspired view of CSR appear as a timely answer to the issue of corporate responsibility in today’s globalized world. This new version of CSR functions as a homogenous meta-language for describing Corporate Responsibility in a diverse world. The global language of CSR acts as a tool for facilitating globalization by legitimizing business practices based on global purchasing, and extraction of natural resources (cf. den Hond, et al, 2007). A corporation can pay their workers exploitative low wages, pollute air and water and extract precious natural resources as long as they provide some evidence that this is made in a “responsible way”. The quest for lower costs can become a race-to-the-bottom where often high national standards are replaced by global minimum-standards, when jobs are shuffled to the countries that provides the lowest costs.

The globalization of business systems and corporate responsibilities has many consequences and implications. One important contribution of this paper is to create links between research about globalization, business systems and CSR. Especially the research about CSR has with few exceptions (Habisch et al 2005; den Hond, et al 2007) not explicitly focused the issues of globalization and national business systems. There are many potential consequences of the globalization of CSR and due to space limitation we will address only one important aspect of this development, namely the increasing importance of self-regulation of CSR in contrast to situations when CSR is defined through negotiations.
Table 2. Summary of the case

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Character of the Swedish business system</td>
<td>Strongly communitarian</td>
<td>Moderate communitarian</td>
<td>Increasingly individualistic</td>
</tr>
<tr>
<td>Dominating provider of capital</td>
<td>Commercial banks and the State</td>
<td>The National Stock Exchange</td>
<td>Global capital markets</td>
</tr>
<tr>
<td>Definition of Corporate Responsibility</td>
<td>Defined mainly in national and industry-specific negotiations</td>
<td>Unclearly defined</td>
<td>Defined mainly on the corporate level (self-regulation)</td>
</tr>
</tbody>
</table>

The paper has described a development from a situation were the corporations where a part in a larger national system in which stakeholders such as unions and political groupings could influence corporate practices in direct negotiations (see Table 2 for a summary). This was possible not least since a distinct national arena existed together with a political control over business activities (loans, investments, labor relations). Even if one does not support the kind of political ideas, which the Swedish business system once rested upon, a central issue is whether the quest for corporate reputation is enough for creating a well-functioning global economy. In fact, it is still an open question if self-regulation and arm-lengths relations between opportunistic actors can create sufficient legitimacy for the global capitalism to secure its survival in the long run. The possibility of a return of economic nationalism, political regulations and protectionism should not be counted out, especially if the environmental pressures on the world continue at the current level. The answer to this challenge may rest upon more negotiations at the international level, and also that the outcome of such internationally negotiated CSR-definitions should include communitarian values to a larger extent.
Appendix 1: Included corporations

Appendix table

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
<th>Words in CEO letters per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlas Copco</td>
<td>Manufacturing/machinery</td>
<td>594</td>
</tr>
<tr>
<td>Electrolux</td>
<td>Manufacturing/electric</td>
<td>1.127</td>
</tr>
<tr>
<td></td>
<td>appliances</td>
<td></td>
</tr>
<tr>
<td>Ericsson</td>
<td>Manufacturing/telecom</td>
<td>906</td>
</tr>
<tr>
<td>H&amp;M</td>
<td>Clothing retail</td>
<td>no CEO letter</td>
</tr>
<tr>
<td>Handelsbanken</td>
<td>Bank/finance</td>
<td>992</td>
</tr>
<tr>
<td>Industrivärden</td>
<td>Investment company</td>
<td>1.115</td>
</tr>
<tr>
<td>Investor</td>
<td>Investment company</td>
<td>no CEO letter</td>
</tr>
<tr>
<td>Sandvik</td>
<td>Manufacturing/tools</td>
<td>602</td>
</tr>
<tr>
<td>SCA</td>
<td>Paper producer</td>
<td>990</td>
</tr>
<tr>
<td>SEB</td>
<td>Bank/finance</td>
<td>no CEO letter</td>
</tr>
<tr>
<td>Skandia</td>
<td>Insurance/finance</td>
<td>1.817</td>
</tr>
<tr>
<td>Skanska</td>
<td>Construction company</td>
<td>no CEO letter</td>
</tr>
<tr>
<td>SKF</td>
<td>Manufacturing/machinery</td>
<td>2.150</td>
</tr>
<tr>
<td>Trelleborg</td>
<td>Manufacturing/rubber and</td>
<td>726</td>
</tr>
<tr>
<td></td>
<td>plastics</td>
<td></td>
</tr>
<tr>
<td>Volvo</td>
<td>Manufacturing/cars,</td>
<td>1.172</td>
</tr>
<tr>
<td></td>
<td>trucks etc.</td>
<td></td>
</tr>
<tr>
<td><strong>Total number of words:</strong></td>
<td></td>
<td><strong>12.191</strong></td>
</tr>
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References


